



FIRST QUARTER 1984

NEWSREPORT

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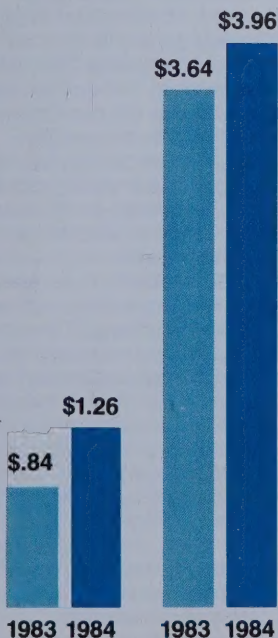
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FIRST QUARTER

EARNINGS per share	REVENUES billions
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To the Owners of Phillips Petroleum Company:

Phillips first quarter 1984 earnings were up \$64 million over the same period in 1983.

Estimated earnings for the first quarter of 1984 were \$193 million, or \$1.26 a share, on total revenues of \$3.96 billion. This compares with first quarter 1983 earnings of \$129 million, or 84 cents a share, on total revenues of \$3.64 billion.

Phillips earnings were up significantly in the quarter. However, it should be kept in mind that the first quarter of 1983 was unusually depressed.

Earnings in the first quarter of 1984 represented a return of 4.9 cents on each dollar of revenue, compared with a return of 3.6 cents the previous year.

The earnings improvement was attributed to substantially better results in the company's petroleum refining and marketing operations and in its chemicals business.

Earnings were up in petroleum refining and marketing operations as a result of higher refinery throughput and lower feedstock costs. This was partially offset by lower petroleum product prices.

Chemicals earnings were higher because of lower feedstock costs, as well as improved sales volumes and prices for plastic resins.

The company's worldwide crude oil production was up 18 percent because of increased production from the U.K. sector of the North Sea, Nigeria and Indonesia. Natural gas liquids production was up 11 percent, and natural gas production was up 10 percent. These volume gains were offset primarily by lower prices, resulting in lower earnings from exploration and production and gas and gas liquids operations.

The company had foreign currency transaction losses of \$4 million in the first quarter, compared with gains of \$13 million a year earlier.

There were no significant nonrecurring adjustments or write-offs affecting the first quarter of either 1983 or 1984.

Capital expenditures for the first quarter of 1984 were \$273 million, compared with \$283 million a year earlier.

Phillips increased its quarterly dividend from 55 cents to 60 cents a share, payable June 1. This marks the 50th consecutive year in which the company has paid a quarterly dividend.

President and
Chief Operating Officer

Chairman and
Chief Executive Officer

May 29, 1984



Wm. C. Douce

Fair-Price Proposal Wins Strong Support

Fair-price amendments to Phillips certificate of incorporation and bylaws have been approved overwhelmingly by the company's shareholders.

The changes are intended to provide reasonable assurance of fair treatment for all stockholders in the event of a "two-tier" acquisition attempt — a tactic which typically forces some shareholders to accept less than a fair price for their stock.

With a representation of over 91 percent of Phillips total outstanding shares at the annual meeting, the company proposal was approved by 73 percent of the vote.

Wm. C. Douce, chairman and chief executive officer, thanked shareholders for their support after results of the voting were announced.

"This proposal was designed with the interests of all stockholders in mind, and we appreciate very much the confidence in the company that this vote represents," Douce told shareholders.

Reshaping Company Profile Key to Future Growth

The following remarks were presented at the company's annual meeting by Wm. C. Douce, chairman and chief executive officer.

A year ago on this occasion we discussed the steps our industry was taking to cope with a fundamental transformation in its business environment.

Until recently, our industry's environment was one of strong demand, tight supplies and rising prices. Now that has all changed, and the change has been rapid. Slow economic activity around the world plus vigorous conservation efforts have led to more than ample oil supplies and a decline in crude oil prices.

No industry can adjust to a change this drastic without some degree of dislocation. This was evident last April.

I doubt that any of us anticipated a year ago the extent of the restructuring that was yet to come.

The most striking examples of this restructuring have been the mergers of the past several months.

Of course, mergers, acquisitions and divestitures are nothing new. They play a healthy and necessary role in business development because they allow companies to reshape themselves quickly to respond to changing circumstances.

That is exactly what oil companies have been required to do in recent years.

However, a new factor has emerged as a driving force behind the merger activity that has been taking place — it is the fact that most oil company stocks are under valued. As a result, the price of purchasing oil reserves has dropped to an attractive level.

To a degree, low prices on the stock market have just accelerated a shakeout process in the petroleum industry that was rolling along under its own momentum.

On the negative side, however, the low price of oil company stocks has created a "fire sale mentality" on the part of some people on Wall Street.

Some oil companies have become the targets of opportunistic investors looking for quick profits — often at the expense of other shareholders.

One strategy often utilized by these hit-and-run investors is the so-called two-tier offer.

This approach typically involves a cash offer — usually at a premium over the market price — for just enough shares to assure control of the company. If this initial effort succeeds, remaining shareholders may be forced into accepting substantially less for the remaining shares.

To alleviate this concern, a number of companies have taken steps to make sure that all stockholders would be treated fairly in any acquisition.

Our company sought your approval this year for changes in our certificate of incorporation and bylaws. Our intent was to provide reasonable assurance of fair treatment for all our stockholders in the event of certain types of acquisition attempts.

Let me add at this point that we are not aware of any efforts by anybody to accumulate Phillips stock or to obtain control of our company. And we do not expect any such efforts to be made.

We feel our proposal is a prudent step to protect stockholder interests. Like similar proposals by other companies, it makes good business sense.

However, it makes no sense at all for the government to get involved in the situation. The recent proposal by some members of Congress to place a moratorium on merger activity in our industry was completely unwarranted. Fortunately, wisdom prevailed, and the proposal was not approved.

I believe the oil industry will find its own equilibrium point without the need for anti-merger laws. The fact is, the kind of merger activity we have been seeing lately is self-limiting.

Even though the cost of purchasing reserves may be

attractive right now, there is simply no long-term future for our industry in rearranging supplies of oil and gas which have already been discovered.

It is my strong feeling that the future lies in finding new supplies of oil and gas.

The ability to maintain and increase petroleum reserves is a key measurement of the business performance of any oil company.

Superior performance is the only solid path toward increasing shareholder value in the long term.

In our case, superior performance means making Phillips more efficient, more competitive and more profitable.

To do this within today's tough and turbulent business environment, we have reshaped our company in significant ways.

This reshaping has affected everything from the way we explore for oil to the ways we sell gasoline at the corner service station.

Our work force is significantly smaller. We have fewer employees than at any time since 1977, but we have gained efficiency and productivity.

After extensive modernization, our refineries have increased their operating efficiency and are now processing some of the lowest cost raw materials available.

Our marketing activities have been intensified in keeping with the increasingly competitive market for gasoline and other petroleum products. In particular, we and our jobbers have initiated a vigorous new program to enhance our brand image. It involves improving facilities and service at all Phillips 66 stations. This is imperative if we are to attract and keep new customers.

Our chemicals operations have been strengthened by eliminating some low-performing business lines and adding some new stronger activities. As a result, chemical earnings have improved and should continue to benefit from further improvements in the economy.

We have also achieved significant results in our exploration and development program.

Our additions to worldwide reserves in 1983 more than replaced the oil and gas we produced.

One factor in this improvement, of course, was our purchase of General American Oil Company. Our own ongoing exploration and development program was a more important factor.

We have also brought improved balance to our exploration and development program.

On one end of the scale, this program includes low-risk prospects which can be brought into production now. Most of these prospects are located right here in the United States — in Texas, Oklahoma, Wyoming and Montana.

Our program also includes fields which can be brought into production in a relatively short time — like our discoveries offshore California and in the U.K. sector of the North Sea.

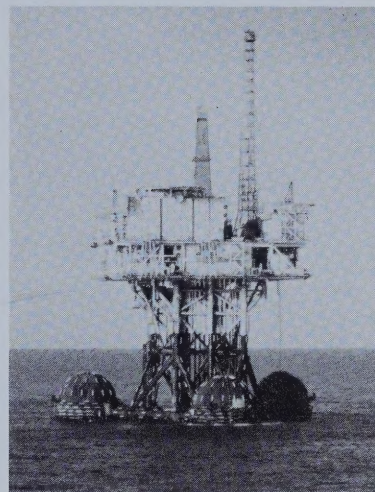
For the longer term, at the other end of the scale, we are exploring in such promising new areas as offshore the People's Republic of China and in frontier areas like offshore Alaska and offshore Norway near the Arctic Circle.

Such a balanced exploration and development program is important because it meets both the need for cash flow and earnings in the short term and the need for reserves growth in the long term.

Another change in our company today is in our outlook toward alternate energy development. Circumstances have obviously altered the timetable for these projects. We intend to maintain our strong reserves position in coal, oil shale and other alternate fuels because they continue to hold promise for the future.

We are also establishing solid positioning in fields outside the traditional oil and gas business, fields where we have special skills and resources. These new business opportunities include biotechnology, geothermal energy, advanced composite materials, catalysts, mining chemicals and nuclear fusion.

Phillips is a different company today than it was just a few years ago.



The Maureen field is the site of Phillips first crude oil production from the U.K. sector of the North Sea. Production from this platform began in September and is currently averaging 97,700 barrels a day, with Phillips share at 28,900 barrels a day.

We have stripped ourselves down to lean fighting weight and have enhanced our ability to compete in a new business environment.

Right now this environment is one in which the world has excess oil-producing capacity. But where is that capacity? Not here in the United States. It is in foreign countries where much of it is controlled by OPEC.

We consume every drop of oil we produce in the United States — and still we import millions of barrels every day.

The oil industry has stepped up its efforts to find new domestic supplies of oil and keep old fields producing longer. If domestic production continues to taper off, then imports will increase and our dependence on OPEC oil will almost certainly grow.

If experience has taught us anything, we should now realize the economic and national security implications of such a trend.

However, there is reason for optimism. Our dependence on OPEC oil can be minimized. There is still plenty of oil and gas in our judgment to be found in the United States and in other friendly and politically stable parts of the world.

But how many new discoveries can be made and how significant they may be will depend on a number of factors.

Some of these factors are internal — that is, factors that we in the oil industry can directly control. For instance, the amount of money we allocate to exploration, the ways we utilize our facilities, the degree to which we motivate and develop our employees and how we use our scientific and technological skills.

However, external factors are also involved — factors over which our industry has very little control, but which have a significant impact on our ability to meet America's energy needs.

- One of these factors is tax policy. New tax proposals are being considered as Congress works to reduce the national deficit. We can only hope that our nation's leaders will keep in mind the simple fact that every dollar taxed away is a dollar that is not available for exploration.

- Another important external factor is reasonable access to areas with high potential for significant oil and gas deposits.

An estimated 85 percent of this nation's undiscovered oil and gas lies beneath public land, most of it offshore.

Only about 4 percent of these areas, however — just a small fraction of the total — has ever been made available to the oil industry for leasing.

If we expect to keep U.S. oil and gas production at the highest possible level, then we cannot afford to ignore these high potential areas.

Our industry is finding ways to tackle these troubling issues, just as it is finding ways to succeed in today's new operating climate. I believe the industry will retain all of the energy, the vitality and the excitement that have always been considered its trademarks.

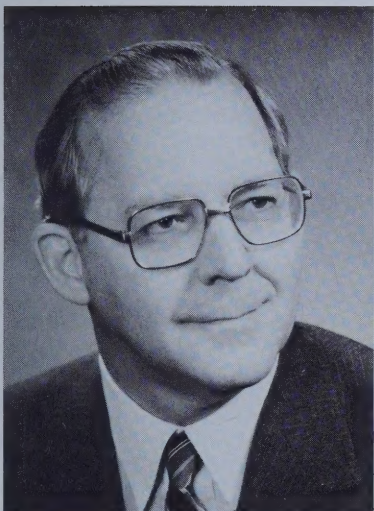
As for our company, we have adjusted to some radical changes and remain a top competitor. We will adjust to whatever changes tomorrow may bring as well.

We will continue to deliver value to our stockholders, remain a good neighbor where we operate and remain a good place for our employees to work.

We will keep on doing our part to find and produce the energy our nation needs for its work, its recreation and its security.



This Phillips service station exemplifies the high standards the company expects to be maintained at other Phillips-branded stations. As part of an intensified marketing program, the company has put renewed emphasis on station appearance, cleanliness and customer service.



C.J. Silas

President Reviews Company Operations for 1983-1984

These comments were made at the annual meeting of stockholders by C.J. Silas, president and chief operating officer.

Nineteen eighty-three was the turning point for our company. After three years of restructuring and streamlining our operations, we began to see some solid results:

- Earnings were up 12 percent.
- Additions to crude oil reserves were more than double what we produced.
- Crude oil production was up both in the United States and overseas.
- We discovered two new oil fields offshore California.
- Our refineries turned out high-value petroleum products using high-sulfur crude oils.
- Our chemicals operations, after shedding a number of subsidiaries and unprofitable businesses, showed a healthy increase in earnings.

These are more than short-term accomplishments. They are the foundation for longer term profitability. They assure the future of the company and the value of the investment you have made in Phillips.

I think it is important to note that all we accomplished in 1983 was done with the smallest work force we have had in more than five years. Events of last year prove that Phillips people have a clear understanding of the job to be done and know how to work smarter to get the job done.

Here are some of the ways Phillips people are working to keep this company healthy and profitable for the future.

North Sea

One of the most significant events of the year was the beginning of our first crude oil production from the U.K. sector of the North Sea. We began producing oil last September from the Maureen field, located about 160 miles off the coast of Scotland.

Specially outfitted tankers are now carrying oil from the Maureen field to markets in Western Europe. We expect to average about 72,000 barrels of oil a day from this field in 1984. Our share will be about 24,500 barrels a day.

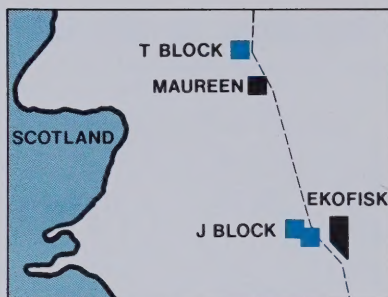
Currently we are evaluating three other fields in the U.K. North Sea. In the T-block, near Maureen, we are now drilling another appraisal well to determine if the field is commercial. Further south is the J-block, where we will also be drilling an appraisal well later this year. We plan to develop the Audrey field off the southern coast of England, subject to the outcome of two appraisal wells.

In the Norwegian sector of the North Sea, Phillips is moving ahead with a full-scale waterflood of the Ekofisk field, one of the seven fields that make up the Greater Ekofisk Development. We will begin constructing a special water-injection platform this year and start injecting water in the field in 1987.

U.S. Exploration

One of the highlights of our U.S. production program this year was the progress we made in developing our giant Point Arguello oil field in California's Santa Maria Basin. Our first production platform is under construction, and a second platform is in the design stage. We plan to produce our first oil in 1986.

Our drilling offshore California has paid off with the discovery of two other oil fields near Point Arguello. The Bonito field is five miles to the northwest of the Point Arguello field, and the Rocky Point field is located two miles to the east. We are now in the process of evaluating these two fields, and we are continuing to do other exploratory drilling nearby.



Phillips is currently evaluating the commerciality of two oil fields in the U.K. sector of the North Sea. Near the Maureen field, the company is drilling an appraisal well on the T-block. Further south, near the Greater Ekofisk Development, is the J-block, where an appraisal well is planned later this year.

About 35 miles down the coast from Point Arguello, a rig drilled a natural gas and gas condensate discovery in a deeper reservoir in the Molino field. We have been producing from the Molino field since 1963. We are now drilling our second well in this deeper reservoir and plan to begin production from it in 1985.

Phillips had two natural gas discoveries in the Gulf of Mexico in 1983. Both of the discoveries were made on acreage we acquired from General American Oil Company. We increased our federal acreage holdings in the Gulf of Mexico by more than 50 percent last year. We plan to drill 11 wells in the area this year.

Phillips participated in six oil discoveries in Wyoming's Powder River Basin last year. We also had several other oil and gas discoveries in the Williston Basin in Montana, the Hugoton area of Oklahoma and Texas and the Hardeman Basin in Texas.

Among the properties we acquired as a result of our purchase of General American was an enhanced oil recovery project in the Midway-Sunset field in Kern County, California. This is one of the major producing fields in the United States. However, the oil in this area is heavy. In order to produce it, steam must be injected into the reservoir to force the oil to the producing well.

Other Areas

Now that we have looked at some of our projects in the North Sea and the United States, let's look at some of the other exploration and development activities we have under way around the world. For example, our share of production from the Espoir oil field offshore the Ivory Coast averaged more than 5,600 barrels of oil a day in March. We made an oil discovery last year on another block in these waters, and we are now doing additional drilling in the area to evaluate that discovery.

One of the areas we plan to explore this year is the South China Sea offshore the People's Republic of China. We are now doing seismic work in the area and plan to spud our first well near the end of the year.

Overall, at the end of 1983 Phillips had an exploration program in 13 countries outside the United States.

Production

One of the best yardsticks for measuring an oil company's performance is to compare its amount of reserves to production, and Phillips performance in 1983 was exceptional. For every barrel of oil we produced, we added more than two barrels to our reserves. Although our acquisition of General American was a significant factor in this increase, our own exploration and production efforts accounted for the major part of our additions to reserves. This year we plan to show another increase in our U.S. reserves.

Rising production is another measure of a company's performance. Our U.S. crude oil production was up significantly last year after declining for the previous four years. In the United States, production was up 13 percent, and overseas it was up about 6 percent.

In 1983 natural gas production was flat compared with the previous year. Although the economy is improving, industry is still using less natural gas, and government regulations are continuing to hold down demand.

Gas and Gas Liquids

Our gas and gas liquids operations remain a major contributor to net income, with Phillips being the largest producer of natural gas liquids in the country. A plant for treating natural gas liquids was completed during the year near Hobbs, N.M.

Early this year, we expanded our gas gathering capabilities by agreeing to purchase the full interest in the Seaway oil pipeline system, a 500-mile pipeline that stretches from Cushing, Okla., to Freeport, Texas. We plan to convert the pipeline to carry natural gas to facilities on the Gulf Coast.

Alternate Energy

In other energy operations, we plan this year to begin full commercial production from a geothermal discovery in Utah. The steam from this discovery will fuel a power plant that produces enough electricity to meet the needs of a city of about 20,000 people. In addition, we plan to begin sales of electricity from a geothermal-fueled pilot plant near Reno, Nev., next year.

Refining and Marketing

Our modernized Borger, Texas, refinery reached full operation in early 1983. The refinery recently underwent a \$400 million modernization. By modernizing our Borger and Sweeny, Texas, refineries, we have been able to lower our raw material costs by processing more of the lower cost crude oils.

Our refineries are among the most modern in the United States, and now we are intensifying our marketing effort to make the Phillips 66 brand one of the most competitive in the country. New Phillips stations built this year exemplify the new standards we have established for station appearance, cleanliness and customer service. As part of our marketing effort, we have also initiated a major credit card solicitation which so far has attracted more than 400,000 new accounts.

Phillips continues to be a leading supplier of aviation gasoline and turbine fuel, especially for noncommercial aircraft.

Chemicals

Communications cables are now being encased in our flexible plastic pipe. This is the newest market that our Driscopipe subsidiary has entered. Largely as a result of the improved economy, revenues for Driscopipe were up in 1983.

Our new resin development plant at the company's Houston Chemical Complex produces developmental resins for market and performance testing. Last year, our plastic resins business benefited from both higher sales volumes and higher sales revenues.

We are now serving markets in the Far East through a new high-density polyethylene plant in Singapore which began operating a couple of months ago. This plant is capable of producing some 176 million pounds a year of high-density polyethylene.

Research and Development

Phillips researchers are working to increase production from older oil fields. This is one of the shorter term projects Phillips researchers are pursuing to enhance our current operations.

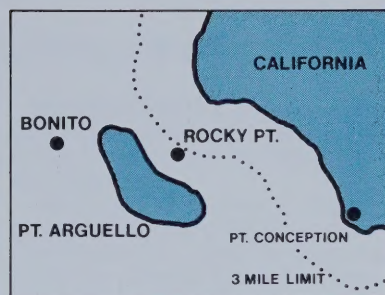
For the longer term, our researchers are working to broaden our competitive base in the high technology areas of advanced composite materials, biotechnology, nuclear fusion and photovoltaics.

Human Resources

An overview of our operations would be incomplete without looking at some of the ways employees are working to improve our company's profitability and performance. There are now about 100 Participative Action Teams that have saved the company some \$2 million. Another example of employee participation is the Suggestion Plan. Last year, employee suggestions saved our company almost \$12 million.

Safety also remains a number one priority of our company and our safety record is continuing to improve. In 1983 our lost workday cases were about 30 percent lower than a year earlier and 65 percent lower than in 1979.

Last year the company celebrated its 66th anniversary with Phillips people holding festivities from cake-baking to family picnics. To commemorate the occasion, the company presented each employee and retiree with an anniversary book, which traced the history of the company during its first 66 years.



Phillips and co-venturers recently discovered two oil fields near the giant Point Arguello oil field offshore California. Drilling is now under way to evaluate the Bonito and Rocky Point fields, as well as other leases nearby.

We will be breaking ground in June on two new buildings in Bartlesville, Okla., the company's headquarters. A 15-story office building will provide new office space for our employees. A four-story building will house employee facilities, such as the medical center, a new cafeteria and meeting rooms. Both buildings should be complete by late 1986.

Companies like Phillips have a large stake in assuring that this country's young people receive a quality education. More than 80 million students have seen our two educational film series — "American Enterprise," which traces the country's economic system, and "Search for Solutions," which encourages the study of science. This fall we will be releasing our third film series, "Challenge of the Unknown," which will be aimed at encouraging young people to study mathematics.

Financial Performance

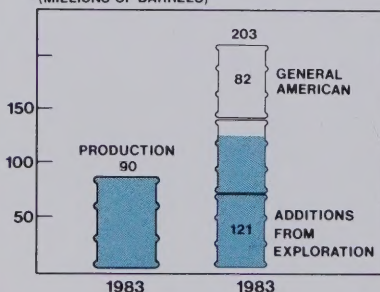
In 1983 capital expenditures to improve and expand our operations around the world were \$2.37 billion. About \$1.23 billion included our investment in General American Oil Company.

Even without the acquisition of General American, our petroleum operations continue to account for the majority of our capital outlay. These operations include exploration and production, gas and gas liquids and refining and marketing.

Net income was up about 12 percent in 1983 after declining for the previous two years. One of the primary reasons for the increase was our ongoing program to improve efficiency and productivity in our operations. For example, we reduced our payroll and benefits costs by \$86 million over 1982; we lowered our energy costs by \$50 million, and our refinery modernizations reduced our crude oil costs by \$32 million, compared with 1982. Foreign earnings were up significantly for the year. New production from the Maureen field was a big contributor to the increase.

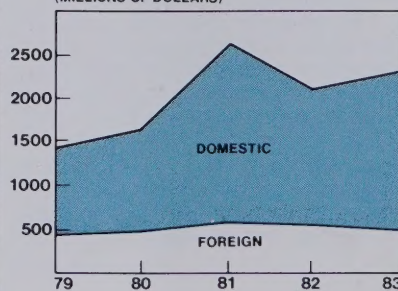
Tax policies continue to have a significant impact on our business. Taxes were up again in 1983 mainly because of higher pretax earnings and lower investment tax credits. Last year direct taxes per share were \$13.08, compared with net income per share of \$4.71. Looking at it another way, for every dollar of profit we paid almost \$3 in taxes.

**CRUDE OIL RESERVES
ADDITIONS VS. PRODUCTION**
(MILLIONS OF BARRELS)



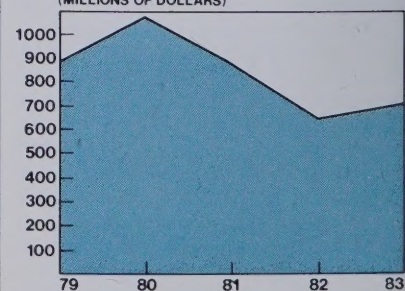
For every barrel of oil Phillips produced in 1983, more than two barrels were added to reserves.

CAPITAL EXPENDITURES
(MILLIONS OF DOLLARS)



In 1983 capital expenditures were \$2.37 billion, including the \$1.23 billion acquisition of General American Oil Company.

NET INCOME
(MILLIONS OF DOLLARS)



After declining for two years, net income was up 12 percent in 1983.



Robert F. Froehlke

Robert F. Froehlke Elected to Phillips Board

Robert F. Froehlke, chairman of the board of directors of The Equitable Life Assurance Society of the United States, has been elected to Phillips board of directors.

The election of Froehlke brings the total number of outside directors to 11, with the remaining five directors being Phillips executives.

Froehlke has held a number of top executive positions in the insurance business. Prior to joining Equitable, he was president of the American Council of Life Insurance. From 1975 to 1980 Froehlke was president of the Health Insurance Association of America and from 1973 to 1975 he was president of Sentry Corporation.

In addition to his career in insurance, Froehlke is a former Secretary of Army and a former assistant Secretary of Defense for Administration.

Froehlke holds a law degree from the University of Wisconsin. He is a member of the American Bar Association.

He is also a member of the board of the Laird Youth Leadership Foundation and the National Fund for Medical Education and is a trustee of the Institute for Defense Analyses.

Froehlke serves on the board of directors of Rexnord Corporation and Square D Company.

OPERATING HIGHLIGHTS (liquids in thousands of barrels per day)

	Three Months Ended March 31	
	1984	1983
United States		
Crude oil produced	126	123
Natural gas liquids produced	174	154
Natural gas produced (net millions of cubic feet daily)	899	816
Crude oil refined	302	239
Petroleum products sold	444	434
Europe-Africa		
Crude oil produced	131	99
Natural gas liquids produced	13	14
Natural gas produced (net millions of cubic feet daily)	527	495
Petroleum products sold	57	51
Other areas		
Crude oil produced	9	4
Natural gas produced (net millions of cubic feet daily)	23	8
Petroleum products sold	4	3

CONSOLIDATED STATEMENT OF INCOME

	Millions of Dollars	
	Three Months Ended March 31 1984	1983
Revenues		
Sales and other operating revenues	\$ 3,916	3,590
Equity in earnings of affiliated companies	10	16
Other revenues	32	31
	<u>3,958</u>	<u>3,637</u>
Costs and expenses		
Purchased crude oil and products	2,264	2,144
Production and operating expenses	455	470
Exploratory costs and leasehold impairment	144	125
Selling, general and administrative expenses	107	106
Depreciation, depletion, amortization and retirements	225	183
Taxes other than income taxes	107	120
Interest and expense on indebtedness	69	76
	<u>3,371</u>	<u>3,224</u>
Income before income taxes	587	413
Provision for income taxes	394	284
Net income	<u>\$ 193</u>	<u>129</u>
Net income per share of common stock	<u>\$ 1.26</u>	<u>.84</u>
Average shares outstanding (in thousands)	153,223	153,120

CONDENSED CONSOLIDATED BALANCE SHEET

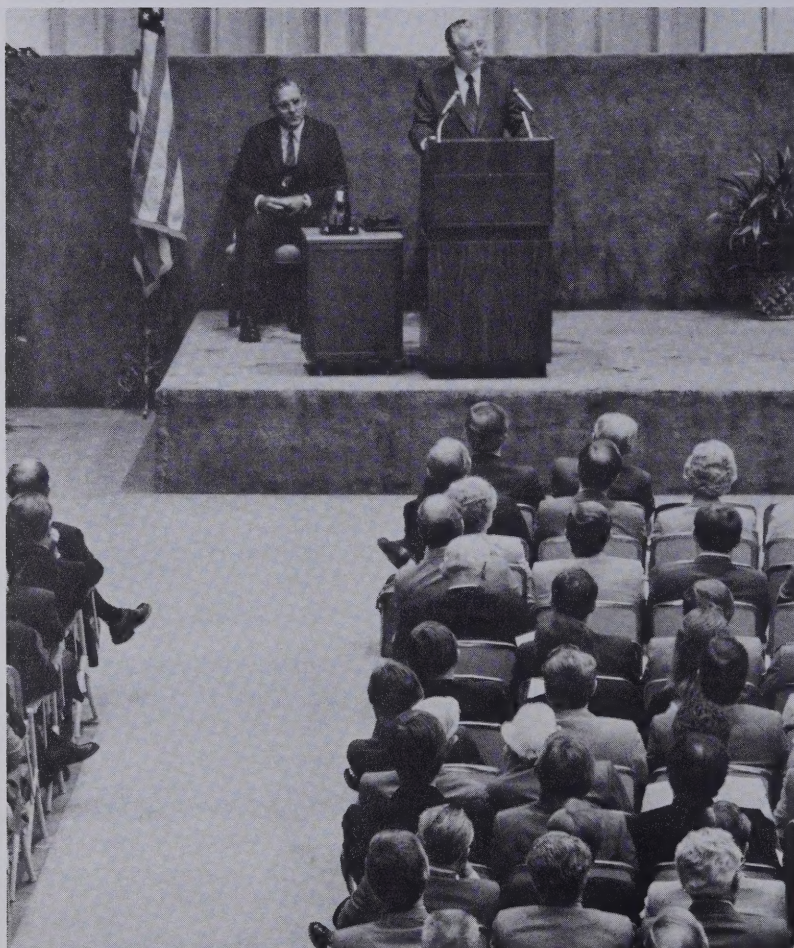
	Millions of Dollars	
	At March 31 1984	At December 31 1983
Assets		
Cash and marketable securities	\$ 1,326	906
Accounts and notes receivable	1,150	1,219
Inventories	839	668
Prepaid expenses and other current assets	138	110
Total current assets	<u>3,453</u>	<u>2,903</u>
Investments and long-term receivables	461	456
Properties, plants and equipment — net	9,505	9,549
Deferred charges	176	186
	<u>\$13,595</u>	<u>13,094</u>
Liabilities		
Accounts payable	\$ 1,410	1,287
Notes payable	109	111
Long-term borrowings and obligations due within one year	28	31
Dividends payable	92	—
Accrued income and other taxes	1,492	1,258
Other accruals	219	194
Total current liabilities	<u>3,350</u>	<u>2,881</u>
Long-term debt	2,104	2,198
Other long-term liabilities	379	358
Obligations under capital leases	41	44
Accrued contingent liabilities	160	147
Deferred income taxes	1,262	1,210
Other deferred credits	96	72
Minority interest in consolidated subsidiaries	35	35
	<u>7,427</u>	<u>6,945</u>
Stockholders' equity	<u>6,168</u>	<u>6,149</u>
	<u>\$13,595</u>	<u>13,094</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Millions of Dollars	
	Three Months Ended March 31 1984	1983
Funds provided from operations amounted to	\$570	426
While funds were expended for		
Properties, plants and equipment	273	283
Net noncurrent assets of General American Oil Company	—	1,245
Other investments	1	—
Reduction of long-term borrowings	99	2
Dividends to company stockholders	176	84
Other	2	13
	551	1,627
Which left a balance (deficiency) of	19	(1,201)
Additional funds were provided from		
Long-term borrowings	4	38
Property sales and retirements	18	11
Sale of investments	4	3
Other	36	20
	62	72
Which resulted in increased (decreased) working capital of	\$ 81	(1,129)

SELECTED FINANCIAL DATA (*)

	Millions of Dollars	
	Three Months Ended March 31 1984	1983
Summary of net income		
Petroleum exploration and production		
United States	\$ 66	81
Outside United States	33	25
	99	106
Gas and gas liquids		
United States	44	59
Outside United States	1	1
	45	60
Petroleum refining, marketing and transportation		
United States	28	(15)
Outside United States	5	2
	33	(13)
Worldwide petroleum	177	153
Worldwide chemicals	43	6
Minerals	(11)	(6)
Other	(16)	(24)
	\$193	129
(*) Effective Jan. 1, 1984, equity in earnings of affiliated companies, previously reported in Other, is included with the applicable operation. Also, inter-operation profit in inventory previously eliminated against the operation holding the inventory, is now eliminated against the operation making the sale. Accordingly, 1983 income by operation is restated.		
Financial ratios		
Return on revenues	4.9%	3.6
Return on average total assets	5.8	4.1
Return on average stockholders' equity	12.5	9.0
Capital expenditures		
Petroleum operations — U.S.	\$190	170
Petroleum operations — Outside U.S.	41	70
Worldwide chemicals	14	16
Minerals	4	5
Other	7	8
Corporate	17	14
Foreign currency (losses) gains	(4)	13



Wm. C. Douce, chairman and chief executive officer, speaks to a crowd of 3,100 stockholders and employees at the company's 1984 Annual Meeting held in Bartlesville, Okla. Douce and C.J. Silas, Phillips president and chief operating officer, described accounts for the past year and the company's plans for this year.

Outcome of Shareholder Vote Announced

At the annual meeting on April 24 in Bartlesville, Okla., over 91 percent of the company's outstanding shares were represented.

The stockholders elected 16 directors: George B. Beitzel, Michael N. Chetkovich, Glenn A. Cox, Wm. C. Douce, James B. Edwards, Robert F. Froehlke, E. Douglas Kenna, C.M. Kittrell, Melvin R. Laird, Carol C. Laise, David B. Meeker, C.J. Silas, R.G. Wallace, W. Clarke Wescoe, Dolores D. Wharton and Francis M. Wheat.

Action on Proposals

Two proposals which were discussed in the proxy statement were voted on at the meeting.

The company's stockholders approved the company proposal which designated Arthur Young & Company as the independent public accountants to audit Phillips books, records and accounts for the 1984 fiscal year.

The second company proposal to amend the certificate of incorporation and bylaws to include fair price provisions for certain business combinations was also approved by a favorable vote of 73 percent of the outstanding stock.

PHILLIPS PETROLEUM COMPANY

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